

**CALENDAR ITEM
C01**

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11/13/03
W 25815
PRC 5439.1
L. Burks
J. Brown

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**AMENDMENT TO MASTER LEASE NO. PRC 5439.1
AND ISSUANCE OF A NEW
GENERAL LEASE - RIGHT OF WAY USE**

APPLICANT:

Santa Fe Pacific Partners, L.P. (SFPP)
Operating Partners to Kinder Morgan Energy
Partners, L.P.
1100 Town and Country Road
Orange, California 92868

AREA, LAND TYPE, AND LOCATION:

Master Lease:

Various rivers, sloughs and creeks, as well as San Francisco Bay and the Carquinez Strait, throughout the State.

Amendment:

Delete from Master Lease No. PRC 5439.1, 0.85 acres, more or less, of tide and submerged lands in Walnut and Pacheco creeks and in the Carquinez Strait, Contra Costa and Solano Counties.

New Lease:

0.98 acres, more or less, of tide and submerged lands in Walnut, Grayson and Pacheco creeks, Cordelia Slough and the Carquinez Strait, between Concord and West Sacramento, Contra Costa, Solano, and Yolo Counties.

AUTHORIZED USE:

New Lease:

1. Proposed construction and operation of a new 20-inch petroleum products pipeline extending from the existing SFPP Concord Station in Contra Costa County to the existing SFPP Sacramento station in the city of West Sacramento, Yolo County.

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2. Continued use and maintenance of an existing 14-inch refined petroleum products pipeline known as Line Section 25 (PRC 3811.1 and PRC 4086.1).

LEASE TERM:

Master Lease:

20 years, beginning January 1, 1978, with two ten-year renewal options. A new Master Lease is currently being negotiated. The existing Master Lease is in holdover.

New Lease:

25 years, beginning October 20, 2003.

CONSIDERATION:

New Lease:

\$9,475 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

PROPOSED AMENDMENT OF EXISTING MASTER LEASE PRC 5439.1:

Deletion of an existing 14-inch refined petroleum products pipeline known as Line Section 25. After construction of the new 20-inch pipeline is complete, with the exception of the portion across the Carquinez Strait, the existing 14-inch line will be taken out of service. This procedure is estimated to be completed within 60 days after construction of the new 20-inch pipeline. Because of these events, the existing 14-inch pipeline is being deleted from the Master Lease and incorporated into the new pipeline lease.

SPECIFIC LEASE PROVISIONS:

Insurance: Lessee shall maintain limits of no less than:

1. General Liability: \$25,000,000
2. Workers' Compensation: Statutory requirements of the State of California.
3. Environmental Impairment and Pollution Liability: \$10,000,000

Bonds:

1. Lease Performance Bond: \$500,000
2. Mitigation Monitoring Performance Bond: \$500,000
3. Restoration Performance Bond: \$125,000
4. Construction Performance Bond: In an amount equal to the construction cost of the new pipeline.

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OTHER PERTINENT INFORMATION:

1. Applicant has a right to use the uplands adjoining the lease premises.
2. The purpose of the new pipeline is to meet projected demand for petroleum products (including fuel for military installations) in the Sacramento, Roseville, Chico and Reno areas by replacing most of SFPP's existing 36-year old, 14-inch pipeline between Concord and Sacramento. The existing pipeline is approximately 60 miles long and is located primarily within Union Pacific Railroad (UPRR) right of way. Upon completion of the proposed project, most of the existing pipeline would be taken out of service from further use in petroleum product service by SFPP. The current capacity of the existing system is 152,000 barrels per day (BPD) with a current peak demand of 137,000 BPD. With a forecasted annual increase in demand of 2.5%, the existing capacity would be reached in 2006. To respond to this demand, the proposed new pipeline would carry gasoline, diesel fuel and jet fuel, and would have a capacity of 200,000 BPD. The new 20-inch pipeline would be designed to operate at a maximum pressure of 1,440 psi. However, approximately 6,000 feet of the existing 14-inch line would continue to be used for the crossing of the Carquinez Strait until such time that a new 20-inch pipe can be installed using a single horizontal directional drill (HDD). The 20-inch pipeline with 6,000 feet of 14-inch pipe beneath the Carquinez Strait would operate at a maximum of 1,350 psi.
3. SFPP proposes to install a 20-inch diameter high pressure pipeline under Walnut, Grayson and Pacheco creeks, and Cordelia Slough, Contra Costa, Solano and Yolo counties, from the existing SFPP Concord Station in Contra Costa County to the existing SFPP Sacramento Station in the city of West Sacramento in Yolo County. The total project length is 68.4 miles. The pipeline across Walnut, Grayson creeks and Cordelia Slough will be installed by HDD method. The pipeline across Pacheco Creek will be installed by open cut trenching. The total length of the pipeline which will be installed by the HDD method is approximately 2,000 feet and approximately 800 feet by open cut trenching. In addition to the proposed 20-inch pipeline between Concord and West Sacramento, SFPP proposes to construct a new 12-inch diameter pipeline branch (approximately 0.8 miles long) to service Wickland Oil Company to supply fuel to the Sacramento International Airport. This pipeline would connect to Wickland's 12-inch pipeline via its metering station at a location north of West Capitol Avenue in West Sacramento.

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The routing of the Proposed Project right-of-way, as submitted in the CSLC's application, and alternatives thereto (both right-of-way and segmental) were analyzed in the environmental documentation prepared by the Commission. Staff has been working with SFPP, based on the environmental analysis and comments thereto, on several route alignment modifications. For example, Segment 1 of the Proposed Project would pass through a portion of the Rhodia property near Martinez that is within an area that needs to be remediated pursuant to an order by the S.F. Regional Water Quality Control Board. This potential conflict would be avoided if the pipeline's routing were changed to the right-of-way of the existing 14" pipeline in Segment 1. Staff is advised, by letter dated October 10, 2003, that the applicant commits to incorporate this change, as well as other minor modifications, in a revised Project right-of-way. Although none of the proposed modifications is within the jurisdiction of the Commission and not within the proposed lease, each was discussed in the EIR prepared by the Commission. Therefore, the Proposed Project's modified right-of-way may be considered by all responsible and trustee agencies.

4. When the Concord to Sacramento pipeline project was originally proposed it required installation of a new 20-inch diameter pipeline beneath the Carquinez Strait using a single 6,800-foot HDD. After SFPP's research and consultation with five HDD contractors, SFPP determined that the drill may be feasible now; however, the contractors identified several risks associated with an HDD of this length. In addition, a 6,800-foot HDD and corresponding pull of 20-inch diameter pipe has never before been completed. To minimize the risk associated with the worst-case scenario of not being able to complete the HDD in a single drill, SFPP considered a combination HDD and open-cut construction method with approximately 1,000 to 1,500 feet of open-cut construction in the water on the north side of the Strait. Although this method is feasible, it would add considerable complexity to construction, add expense to the project, result in restrictive limitations on the construction window, and result in additional environmental impacts within the Strait and the marsh on the south side of the Strait.

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As a result, SFPP has proposed a two-phase approach to the Carquinez Strait crossing. SFPP plans to modify this pipeline project in the future to include a new 20-inch pipeline that would be installed by HDD across the Carquinez Strait when and if an HDD bore of 20 inches over 6,800 feet long becomes feasible. A separate CEQA document will be completed to address impacts of the crossing at the time it is proposed and detailed engineering plans are available.

5. After construction of the new 20-inch pipeline is complete, with the exception of the portion across the Carquinez Strait, the existing 14-inch pipeline would be taken out of service. Before a pipeline can be reclassified by the California State Fire Marshal (CSFM) from "active" to "out-of-service", a written plan describing the process to be used and future maintenance and inspections to be performed must be submitted to and approved by the CSFM. After this process has been verified and accepted in writing by CSFM, the out-of-service pipeline must comply with minimum federal maintenance and inspection requirements, which consist of maintaining cathodic protection, right of way patrols, and Underground Service Alert notifications. This procedure is estimated to be complete within 60 days after construction of the new 20-inch pipeline is complete. SFPP would maintain the pipeline in out-of-service status in accordance with CSFM requirements until a decision regarding final use of the pipeline is made. SFPP's Master Lease No. PRC 5439.1 with the California State Lands Commission will be amended to delete the existing 14-inch pipeline from the Master Lease and incorporate it into the lease for the new 20-inch pipeline. Although no proposals have been made at this time, SFPP could use the existing 14-inch pipeline for other purposes such as a wastewater conveyance, a conduit for underground electrical utilities, cable television, fiber optic lines, telephone or data circuits, or other suitable service once appropriate CEQA documentation had been prepared and adopted.
6. The proposed pipeline falls under the jurisdiction of the U.S. Department of Transportation, Research and Special Programs Administration, Office of Pipeline Safety (DOT), and conforms with the design, construction, testing operation and maintenance regulations contained in Title 49 Code of Federal Regulations (CFR) Part 195, "Transportation of Hazardous Liquids by Pipeline", as authorized by the Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. 2004). However, Title 49 CFR, Part 195 requirements do not necessarily address all seismic design criteria

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required in California particularly at fault crossings and liquefaction potential zones. In California, CSLC requires the incorporation of current seismological engineering standards such as *Guidelines for the Design of Buried Steel Pipe – July 2001: by American Lifeline Alliance, and Guidelines for the Seismic Design of Oil and Gas Pipeline Systems – 1984: by American society of Civil Engineers* and other recognized industry standards for seismic-resistant design at fault crossings and liquefaction potential zones. Because this pipeline carries jet fuel, it will also be subject to all regulations of the California State Fire Marshal (CSFM). The CSFM requires an internal hydro test at the conclusion of construction of a new pipeline, and does not require any internal tests for the first ten years. Thereafter, hydro testing is required every five years unless the pipeline is placed on a "high-risk list". An Oil Spill Response Plan (OSRP) prepared by SFPP has been approved by appropriate federal, state and local agencies (including the California Department of Fish and Game, Office of Spill Prevention and Response). The OSRP is required under state and federal regulations (SB 2040 and 40 CFR 300, the Hazardous Substances Pollution Contingency Plan). SFPP has also prepared an Emergency Plan to specify measures to be taken in emergency scenarios. SFPP stations have fire fighting and other emergency equipment. Fire fighting equipment includes carbon dioxide and/or halon fire extinguishers inside the control rooms for electrical fires around panels and switchgear. Dry powder fire extinguishers are located in the station yard for hydrocarbon fires. Fire suppressant foaming agents (ATC concentrate) and related foam generation equipment is also onsite or readily available. Also, emergency call lists are posted at all stations, in case of accident, fire or explosion. The OSRP lists third-party contractors providing manpower and equipment such as vacuum trucks, boats, oil skimmers, absorbent and skirted booms, dump trucks, portable tanks, absorbent materials, dispersants, steam cleaners, hydroblasters, cranes and forklifts. These would include contractors located in the Bay area. In addition, SFPP operations personnel are trained in the Incident Command System and oil spill containment and cleanup procedures. Local emergency response providers would be notified to assist in traffic control, evacuations of homes or businesses, crowd control, ambulance and hospital services, and backup fire protection services. Staff will also be on site for the monitoring of the HDD's and open cut trenching of the subject waterways. Long Beach engineering staff has reviewed the pipeline specifications and indicates that the design meets standard engineering practice.

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7. A Section 401 Water Quality Certification will be issued by the Regional Water Quality Control Board (RWQCB) for this project. RWQCB generally supports the proposed project; however, they are particularly concerned about environmental impacts that could result from routing the proposed pipeline through Peyton Marsh and the Rhodia, Inc. facility (Segment 1, Concord to the Benicia Bridge), and encourage consideration of an alternate alignment in this vicinity. Alternate routes have been addressed in the EIR. To respond to RWQCB's concerns regarding the Rhodia Remediation Project, the applicant has agreed to route the proposed 20-inch pipeline within the Existing Right of Way Alternate route in Segment 1, which is described and analyzed in the EIR.
8. During consideration of this item at the Commission's October 20, 2003, meeting, a representative from Central Contra Costa Sanitary District, and a representative from Clark Trucking Service, Inc. objected to the proposed routing of the 20" pipeline in the vicinity of their properties. SFPP has since met individually with representatives of each of these entities to discuss potential resolution of their concerns.

Staff has received a letter from the Central Contra Costa Sanitary District, dated October 27, 2003, removing its objection to certification of the EIR for this project or to the Commission's action on staff's recommendation to award a lease to SFPP.

Staff has also been working with the Applicant and Mr. Cunha, Clark Trucking Service, Inc., both before and subsequent to the Commission's consideration of the Project at its meeting of October 20, 2003, to develop additional approaches to the issues originally raised in Mr. Cunha's letter of October 8, 2003, and to coordinate and facilitate additional discussions between the parties. On October 17, 2003, the Applicant spoke to Mr. Cunha and represents that Mr. Cunha was assured that the Project would not block access to his firm, would not close the street, would be constructed in 2-3 weeks and that the Applicant would reimburse the firm for any damages.

Subsequent to October 20, 2003, staff worked with the Applicant to explore two alternatives to the proposed routing within South River Road: 1) installation of the new pipeline within Jefferson Boulevard, and 2) connection of the new pipeline with an interim use of the existing 14" line within the railroad right-of-way along Jefferson Boulevard. Each of these

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modifications was presumed to address Mr. Cunha's concerns. The results of the Applicant's examination, and the issues associated with each, are enumerated below.

Relocation within Jefferson Boulevard

- As indicated at the October 20, 2003, Commission meeting, the pipeline would parallel existing residences along Jefferson Boulevard.
- Jefferson Boulevard is presently undergoing repair and repaving that will be completed in December 2003. The city of West Sacramento's Design Standards address "Open Trenching" under these circumstances as follows, "Open trenching shall be prohibited on all newly paved and newly overlayed streets and reconstructed streets for a period of two years as determined by the City Engineer..."

Interim use of existing pipeline segment

- The existing pipeline segment does not meet the design criteria for the new pipeline, i.e., its pressure rating is lower than that for the Project. Staff notes, however, that a segment of the existing 14" line under the Carquinez Strait will be incorporated into the new proposed 20" pipeline.
- Use of the segment would present additional hydraulic issues based on reduction of pipeline diameter, require the installation of a "pigging" facility in the existing right-of-way and present integrity and inspection difficulties. The latter three issues are problematic because: 1) Union Pacific Railroad (UPRR) is discouraging the placement of additional pipelines in their right-of-way due to concerns over possible derailments and the need to install additional track; and 2) ongoing litigation between the UPRR and SFPP, L.P.

In addition, the Applicant, on October 21, 2003, sought an additional meeting with Mr. Cunha, which was subsequently scheduled for October 28, 2003. In attendance, in addition to Mr. Cunha and the Applicant, were additional property/business owners on South River Road and

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representatives of the city of West Sacramento. The discussions centered on the proposed routing in consideration of the above discussions. The issues raised by Mr. Cunha and information or proposals made by the Applicant to address each are described below.

- Safety of businesses along South River Road
- The pipeline is designed to comply with urban standards, i.e., constructed of high tensile strength carbon steel with a wall thickness 12.5% greater than required by the US Department of Transportation (USDOT).
- One hundred percent of the welds will be x-rayed for integrity (USDOT requires only 10% to be examined).
- The pipeline could be buried deeper.

Consistency of Project with Sacramento Riverfront Master Plan

- City staff indicates that the proposed Project, as a replacement pipeline, is consistent with the adopted Riverfront Master Plan.
- The City, utilizing the Final EIR prepared by the Commission, must issue a conditional use permit (a discretionary decision) for the Project within the City and an encroachment permit for the construction work within South River Road. Each of these actions is described in the comments of the City, dated July 22, 2003, submitted on the Draft EIR for the Project.

Closure or impairment of South River Road during Project construction

During the meeting of October 28, 2003, an additional business, Clark Pacific, another trucking company, revealed its concern that its operations, too, would be constrained by construction activities.

- Staff notes that the FEIR requires, in part, "SFPP shall develop construction scheduling in a manner that minimizes impacts to businesses, institutions,to avoid the hours or days of the week during which land uses receive the most activity.....In addition, SFPP shall ensure that at least one driveway is left unblocked

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during all business hours or hours of use.” In addition, the FEIR requires the preparation, by a registered Traffic Engineer and in conjunction with the affected local jurisdiction, of detailed Traffic Management Plans. Such Plans, in part, must “..define the use of flaggers, warning signs, lights, barricades, cones, etc. according to standard guidelines required by the affected local jurisdiction.” Such plans must also provide for access by emergency response vehicles.

- In addition to the above, the Applicant offered to construct the Project at night and continue construction during the weekends as well as to time the anticipated three-week construction effort so as to avoid months in which the businesses’ big projects occur.
- The Applicant has, with regard to Clark Pacific, indicated in a letter dated October 31, 2003, that, “If normal daytime construction practice under city-approved traffic control plans cannot avoid significant impact to your business, and further if coordination of our respective schedules or other off-site leasing options are unsuccessful to avoid significant impact, we will provide Clark Pacific with just compensation for such impact at that time.”

Staff received a letter, dated November 3, 2003, from Clark Pacific to the Applicant that indicates that the company requires a guarantee of reimbursement of estimated costs that would be borne by the company as a result of the construction activities for the installation of the pipeline.

Staff is presently unaware of any resolution of the above issues between Mr. Cunha and the Applicant.

9. Pursuant to the Commission’s delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15025), the staff has prepared an EIR identified as CSLC EIR No. 711, State Clearinghouse No. 2002022010. Such EIR was prepared and circulated for public review pursuant to the provisions of the CEQA. A Mitigation Monitoring Program has been prepared in conformance with the provisions of the CEQA (Public Resources Code section 21081.6) and is contained in Exhibit C attached hereto.

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10. Findings made in conformance with the State CEQA Guidelines (Title 14, California Code of Regulations, section 15091) are contained in Exhibit B, attached hereto.
11. A Statement of Overriding Considerations made in conformance with the State CEQA Guidelines (Title 14, California Code of Regulations, section 15093) is contained in Exhibit D, attached hereto.
12. The significant impacts identified within the Final Environmental Impact Report (FEIR) that cannot be reduced, with all feasible mitigation to a level of insignificance, include:
 - A pipeline accident during operation could result in injury or fatalities to nearby public.
 - Cumulative effects of emissions of equipment exhaust could substantially contribute to existing violations of ozone standards during the construction period.
 - Pipeline spills could degrade or alter habitat for wildlife, aquatic habitats and organisms, special status plants and their habitat, upland vegetation, and/or wetlands.
 - Construction or operation and accident impacts on sensitive biological and water resources within Cordelia Marsh and Slough could affect areas of the marsh.
 - Active fault crossings could result in pipeline rupture.
 - Contamination of surface water could result from accidental rupture of the pipeline during operation or maintenance.
 - Drinking water could be contaminated if product from a pipeline accident migrated to a well used for municipal or private drinking water purposes.
 - A pipeline accident could contaminate land and property or cause death or injury due to fire or explosion.

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- Accidents during operation could restrict fishing access and/or contaminate fish habitat and fishing gear.

The FEIR concludes that pipeline rupture or accidental spills would cause significant adverse environmental effects, and significant adverse effects to air quality would occur during construction. The impacts related to pipeline rupture or accidentals spills were identified in the analyses for safety, biological resources, geology, water quality, land use, and fisheries.

13. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

PUBLIC AND ENVIRONMENTAL PROCESSES

Opportunities for public participation in the environmental process have been provided at public hearings which were held in the city of Fairfield on –

- February 20, 2002
- July 16, 2003

The public's involvement in the CEQA environmental process began on February 1, 2002, with the public release of the Notice of Preparation of a Draft Environmental Impact Report and Notice of Public Scoping Meeting. This notice was published in five newspapers having general circulation within the regions affected by the proposed project and was mailed to all recorded property owners within 300 feet of the pipeline alignment. During this period, a public scoping hearing was conducted on February 20, 2003, in the city of Fairfield.

The Draft EIR was released on June 12, 2003, and a public hearing to receive comments on the document was held in the city of Fairfield on July 16, 2003. The DEIR was circulated for a 45-day review period. The FEIR was released on October 3, 2003. The public notice identifying release of the FEIR and notice of proposed hearing by the CSLC was also published in five newspapers having general circulation within the regions affected by the proposed project and was mailed to all recorded property owners within 300 feet of the pipeline alignment.

ENVIRONMENTAL JUSTICE

The California State Lands Commission adopted an amended Environmental Justice Policy on October 1, 2002. The purpose of the Policy is to ensure that Environmental Justice is an essential consideration in the Commission's processes, decisions and programs and that all people who live in California have a meaningful way to participate in these activities. The Commission pledges to continue and enhance its processes, decisions, and programs with environmental justice as an essential consideration. Environmental justice is defined by State law as "the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies."

This FEIR contains the first Environmental Justice analysis completed pursuant to the Commission's Policy. Specifically, the document analyzes the distributional patterns of high-minority and low-income populations on a regional basis and characterizes the distribution of such populations adjacent to the proposed and alternative pipeline corridors. This analysis focuses, in the main, on whether the Proposed Project's impacts have the potential to affect area(s) of high-minority and low-income communities disproportionately and thus create an adverse environmental justice impact. The document concludes that, with identified mitigation, the Project would not create significant environmental justice impacts.

APPROVALS NEEDED:

United States Fish and Wildlife Service; State Office of Historic Preservation; United States Army Corps of Engineers; California Department of Fish and Game; California Department of Transportation; Regional Water Quality Control Board; San Francisco Bay Conservation and Development Commission; California Wildlife Conservation Board; California Department of Water Resources, Board of Reclamation; Central Contra Costa Flood Control and Water Conservation District; Contra Costa County; city of Martinez, city of Benicia; Caltrans District 4; Solano County; Solano County Water Agency; city of Fairfield; city of Suisun City; Main Prairie Water District; Reclamation District 2068; Yolo County; Reclamation District 900; Sacramento/Yolo Port District; and city of West Sacramento .

EXHIBITS:

- A. Location Map
- B. CEQA Findings
- C. Mitigation Monitoring Program
- D. Statement of Overriding Considerations

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PERMIT STREAMLINING ACT DEADLINE:

October 2, 2004

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

1. CERTIFY THAT AN EIR NO. 711, STATE CLEARINGHOUSE NO. 2002022010, WAS PREPARED FOR THIS PROJECT PURSUANT TO THE PROVISIONS OF THE CEQA, THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN, AND THAT THE EIR REFLECTS THE COMMISSION'S INDEPENDENT JUDGMENT AND ANALYSIS.
2. ADOPT THE FINDINGS, MADE IN CONFORMANCE WITH TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15091, AS CONTAINED IN EXHIBIT B, ATTACHED HERETO.
3. ADOPT THE MITIGATION MONITORING PROGRAM, AS CONTAINED IN EXHIBIT C, ATTACHED HERETO.
4. ADOPT THE STATEMENT OF OVERRIDING CONSIDERATIONS MADE IN CONFORMANCE WITH TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15093, AS CONTAINED IN EXHIBIT D, ATTACHED HERETO.

SIGNIFICANT LANDS INVENTORY FINDING:

FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

AUTHORIZATION:

1. AUTHORIZE THE AMENDMENT OF MASTER LEASE NO. PRC 5439.1 A GENERAL LEASE – RIGHT OF WAY USE, OF LANDS SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, EFFECTIVE OCTOBER 20, 2003, TO DELETE PARCELS OF TIDE AND SUBMERGED LANDS FROM THE MASTER LEASE AND INCORPORATE THEM INTO THE NEW LEASE; ALL OTHER TERMS

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AND CONDITIONS OF THE MASTER LEASE WILL REMAIN IN EFFECT WITHOUT AMENDMENT.

2. AUTHORIZE ISSUANCE TO SANTA FE PACIFIC PARTNERS, L.P., OPERATING PARTNERS FOR KINDER MORGAN ENERGY PARTNERS, L.P., OF A NEW GENERAL LEASE – RIGHT OF WAY USE, BEGINNING OCTOBER 20, 2003, FOR A TERM OF TWENTY-FIVE (25) YEARS, FOR PROPOSED CONSTRUCTION OF A NEW 20-INCH DIAMETER PETROLEUM PRODUCTS PIPELINE ACROSS WALNUT, GRAYSON AND PACHECO CREEKS AND CORDELIA SLOUGH BETWEEN CONCORD AND WEST SACRAMENTO, CONTRA COSTA, SOLANO AND YOLO COUNTIES; AND INCLUSION OF AN EXISTING 14-INCH DIAMETER PETROLEUM PRODUCT PIPELINE ACROSS WALNUT, PACHECO CREEKS AND THE CARQUINEZ STRAIT, CONTRA COSTA AND SOLANO COUNTIES, ON THE LANDS SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF; IN CONSIDERATION OF \$9,475 PER YEAR, WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENT PERIODICALLY DURING THE LEASE TERM, AS PROVIDED IN THE LEASE; INSURANCE COVERAGE AS FOLLOWS: GENERAL LIABILITY FOR \$25,000,000; WORKERS' COMPENSATION – STATUTORY REQUIREMENTS OF THE STATE OF CALIFORNIA; AND ENVIRONMENTAL IMPAIRMENT AND POLLUTION LIABILITY FOR \$10,000,000; BONDS SHALL INCLUDE A LEASE PERFORMANCE BOND FOR \$500,000, MITIGATION MONITORING PERFORMANCE BOND FOR \$500,000, RESTORATION PERFORMANCE BOND FOR \$125,000, AND CONSTRUCTION PERFORMANCE BOND IN AN AMOUNT EQUAL TO THE CONSTRUCTION COST OF THE NEW PIPELINE.